

**TEXAS DEPARTMENT OF INSURANCE, DIVISION OF WORKERS' COMPENSATION
SYSTEM MONITORING AND OVERSIGHT
AUDIT PLAN
FISCAL YEAR ENDING 08/31/11**

OBJECTIVES

For fiscal year 2011, it is the goal of System Monitoring and Oversight to improve system performance in the following key areas:

- accurate reporting of electronic data to the Texas Department of Insurance, Division of Workers' Compensation TDI-DWC);
- timely and complete return to work notification;
- timely MMI and impairment rating notification;
- timely communication;
- timely and accurate medical reimbursement; and
- timely benefit delivery.

To obtain these objectives, performance audits will be conducted on select system participants. The Texas Labor Code (TLC) authorizes the TDI-DWC to conduct performance audits of participants in the Texas Workers' Compensation System. TDI-DWC is specifically directed in TLC §402.075 to focus its regulatory oversight on insurance carriers and health care providers identified as poor performers in the Performance-Based Oversight (PBO) program. Therefore, the insurance carriers and health care providers selected for fiscal year 2011 audits are those identified either as poor performers in the PBO program or through detected compliance issues. Detailed information regarding PBO can be found at <http://www.tdi.state.tx.us/wc/pbo/index.html#pboma>.

This audit plan identifies the issues and system participants to be reviewed during the fiscal year ending August 31, 2011, and describes the scope and methodology related to each audit type. However, this audit plan is subject to change; TDI-DWC may identify compliance areas of concern, audit risk, or data availability issues and adjust audit issue, auditee, objective, scope, and/or methodology, as necessary.

AUDIT OVERVIEW

ENTITY TYPE	AUDIT ISSUE TYPE	APPLICABLE STATUTES AND RULES	AUDIT REVIEW PERIOD	# OF AUDITS
Insurance Carrier	Timeliness of Initial Temporary Income Benefits Payment; Timeliness of Reporting Initial Payment Data; and Accuracy of IP Data	409.021, 124.2, 124.3, and 124.7	02/01/10 – 10/31/10 or 02/01/11 – 04/30/11	16
	Timeliness of Medical Bill Processing and Accuracy of Data	408.027 and 133.240	09/01/10 – 11/30/10 or 03/01/11 – 05/31/11	8
	Accuracy of Medical Bill/Payment Data	413.007, 413.008, 134.802	06/01/10 – 08/31/10 or 01/01/11 – 02/28/11	32
	Accuracy of medical bill reimbursement (MEI/HPSA)	408.027, 134.203, 408.0252, and 134.2	03/01/11– 05/31/11	8
Health Care Provider	Timeliness of DWC Form-69, Report of Medical Evaluation; and Timeliness and Proper Completion of DWC Form-73, Work Status Report	408.025, 408.123, 126.7, 129.5, 130.1, 130.2, 130.3, and 130.6	12/01/10 – 02/28/11	10

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ENTITY TYPE	AUDIT ISSUE TYPE	APPLICABLE STATUTES AND RULES	AUDIT REVIEW PERIOD	# OF AUDITS
Other Audits as Directed	(Legislature, Commissioner, or Special Projects that may arise during the year)		To be determined (TBD)	TBD
Total number of audits				74

AUDIT SCOPE AND METHODOLOGY

Insurance Carrier Audits

Timeliness of Initial Temporary Income Benefits Payment; Timeliness of Reporting Initial Payment Data; and Accuracy of Initial Payment Data

The Timeliness of Initial Temporary Income Benefits (TIBs) Payment; Timeliness of Reporting Initial Payment Data; and Accuracy of Initial Payment Data review will determine if insurance carriers: 1) initiated the first TIB payment timely; 2) timely reported initial payment data to TDI-DWC; and 3) accurately reported initial payment data to TDI-DWC. The review will consist of determining if the insurance carriers: 1) initiated income benefits within 7 days of the eighth day of disability (accrual date), or within 15 days from notice of the injury, whichever is later; 2) reported initial payment data to TDI-DWC within 10 days of making the first payment; and 3) accurately reported various initial payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the TDI-DWC database of claim information submitted to TDI-DWC by insurance carriers.

The sample data will be drawn from claims for which an initial payment of TIBs was issued during the period of February 01, 2010 through October 31, 2010 or February 01, 2011 through April 30, 2011, depending on the date of audit initiation. For each claim reviewed, TDI-DWC will require the insurance carriers to submit the DWC Form-1, Employers First Report of Injury or Illness; Plain Language Notice 2, Notification of First Temporary Income Benefit Payment; DWC Form-21, Payment of Compensation or Notice of Refused or Disputed Claim; adjuster/claim notes; and initial TIB payment information. The records will be reviewed to determine if the first TIB payment was issued timely and if the IP data elements were timely and accurately reported.

Timeliness of Medical Bill Processing and Accuracy of Data

The Timeliness of Medical Bill Processing review will determine if insurance carriers are timely processing medical bills and accurately reporting medical bill/payment data to TDI-DWC. The review will consist of determining if the insurance carriers paid or denied initial medical bills within 45 days of receipt and accurately reported various medical bill/payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the medical bill information submitted to TDI-DWC by insurance carriers.

The sample data will be drawn from billing lines submitted to TDI-DWC during the period of September 01, 2010 to November 30, 2010 or March 01, 2011 to May 31, 2011. TDI-DWC will require the insurance carriers to submit the medical bills, Explanation of Benefit Statements, and payment information to TDI-DWC. The records will be reviewed to determine if the medical bills were timely processed and data elements were accurately reported.

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Accuracy of Medical Bill/Payment Data

The Accuracy of Medical Bill/Payment Data review will determine if insurance carriers accurately reported medical bill/payment data to TDI-DWC. The review will consist of determining if the insurance carriers accurately reported various medical bill/payment data elements to TDI-DWC. The audit samples will consist of randomly selected records drawn from the TDI-DWC database of medical bill/payment information submitted to TDI-DWC by insurance carriers.

The sample data will be drawn from billing lines with dates of service during the period of June 01, 2010 through August 31, 2010 or January 01, 2011 to February 28, 2011. For each billing line reviewed, TDI-DWC will require the insurance carriers to submit the medical bill; DWC Form-62, Explanation of Benefits; and payment summary. The records will be reviewed to determine if the data elements were accurately reported.

Accuracy of Medical Bill Reimbursement (MEI/HPSA)

The Accuracy of Medical Bill Reimbursement review will determine if insurance carriers accurately reimbursed medical bills. The review will consist of determining if insurance carriers applied the correct conversion factor and issued 10% incentive payments for services rendered in a Health Professional Shortage Area (HPSA). The audit samples will consist of randomly selected records drawn from the TDI-DWC database of medical bill/payment information submitted to TDI-DWC by insurance carriers.

The sample data will be drawn from billing lines submitted to TDI-DWC during the period of March 01, 2011 through May 31, 2011. For each billing line reviewed, TDI-DWC will require the insurance carriers to submit the medical bill; DWC Form-62, Explanation of Benefits; and payment summary. The records will be reviewed to determine if the payment was accurate.

Health Care Provider Audits

Timeliness of DWC Form-69, Report of Medical Evaluation; and Timeliness and Accuracy of DWC Form-73, Work Status Report

The Timeliness of DWC Form-69, Report of Medical Evaluation; and Timeliness and Accuracy of DWC Form-73, Work Status Report review will determine if health care providers (HCPs) timely submitted the reports to the insurance carriers and properly completed the DWC Form-73. The review will consist of determining if the HCPs: 1) submitted the DWC Form-69 to the insurance carrier no later than the seventh working day after the later of the date of the certifying examination or receipt of all of the required medical information; 2) submitted the DWC Form-73 to the insurance carrier not later than the end of the second working day after the date of examination after the initial examination, when the employee experiences a change in work status, or as a result of a substantial change in activity restrictions; and 3) properly completed the DWC Form-73 by including key claim elements, work status, and required dates and explanations. The audit samples will consist of randomly selected records drawn from the TDI-DWC databases of DWC Form-69s submitted to TDI-DWC by HCPs, medical bill/payment information submitted to TDI-DWC by insurance carriers, and/or records requested from the auditees.

The sample data will be drawn from DWC-69 forms received by TDI-DWC with exam dates between December 01, 2010 and February 28, 2011, inclusive, and DWC-73 forms submitted to the insurance carrier for exam dates between December 01, 2010 and February 28, 2011, inclusive, and for which reimbursement was issued, as identified from medical billing data. TDI-DWC will require the HCPs to submit the DWC Form-69 and DWC

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Form-73 with evidence of the filing to the insurance carrier. The records will be reviewed to determine if the forms were timely submitted to the insurance carrier and if the DWC Form-73s were properly completed.

AUDIT DETAIL

The Audits and Investigations Team will initiate the following seventy-four (74) audits during fiscal year 2011:

	AUDITEE NAME	AUDIT ISSUE TYPE	AUDITOR	EXPECTED INITIATION DATE	EXPECTED COMPLETION QUARTER
1 - 16	16 INSURANCE CARRIERS TO BE DETERMINED	Accuracy of Medical Bill/Payment Data	To Be Determined	October 2010	2
17 - 24	8 INSURANCE CARRIERS TO BE DETERMINED	Initial TIB Timeliness and IP Data Timeliness/Accuracy	To Be Determined	November 2010	2
25 - 28	4 INSURANCE CARRIERS TO BE DETERMINED	Timeliness of Medical Bill Processing and Accuracy of Data	To Be Determined	January 2011	3
29 - 44	16 INSURANCE CARRIERS TO BE DETERMINED	Accuracy of Medical Bill/Payment Data	To Be Determined	March 2011	4
45 - 54	10 HEALTH CARE PROVIDERS TO BE DETERMINED	DWC Form-69/Form-73	To Be Determined	April 2011	4
55 - 62	8 INSURANCE CARRIERS TO BE DETERMINED (PBO POOR PERFORMERS)	Initial TIB Timeliness and IP Data Timeliness/Accuracy	To Be Determined	May 2011	4
63 - 70	8 INSURANCE CARRIERS TO BE DETERMINED	Accuracy of Medical Reimbursement (MEI/HPSA)	To Be Determined	June 2011	4
71 - 74	4 INSURANCE CARRIERS TO BE DETERMINED (PBO POOR PERFORMERS)	Timeliness of Medical Bill Processing and Accuracy of Data	To Be Determined	July 2011	4

LEGEND:	<u>QUARTER</u>	<u>NUMBER</u>
	SEP – NOV	1
	DEC – FEB	2
	MAR – MAY	3
	JUN – AUG	4

FISCAL IMPACT

Auditee Type	Number of Audits (total 74)	Expected Completion Hours per Audit	Number Billable Audits	Total Billable Hours	Bill Rate/Hr.	Projected Revenue
Health Care Provider	10	35.00	0	0	N/A	\$0.00
Insurance Carrier	64	25.50	48	1,224	\$50.00	\$61,200
Estimated Revenue Total						\$61,200

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Respectfully submitted by:



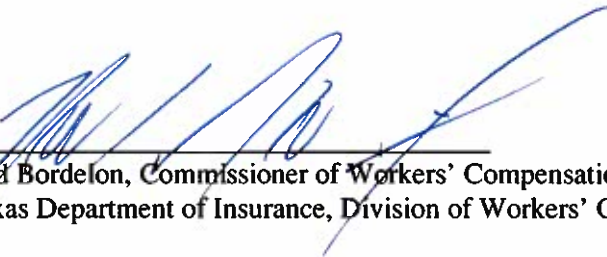
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